



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

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MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(ENVIRONMENT, SAFETY, AND OCCUPATIONAL  
HEALTH)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ENVIRONMENT)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(ENVIRONMENT, SAFETY, AND OCCUPATIONAL  
HEALTH)  
DIRECTOR, ENVIRONMENT AND SAFETY,  
DEFENSE LOGISTICS AGENCY

SUBJECT: Qualified Recycling Program Guidance

This memorandum supplements Department of Defense Instruction (DoDI) 4715.4, paragraph 6.2.3.3 with guidance on Qualified Recycling Programs (QRP). The attached guidance was developed in response to recommendations in the Office of the Inspector General Evaluation Report 97-087, "Direct Sales of Recyclable Material." DoD Components must incorporate the attached guidance in their respective Component-specific QRP guides.

If you need additional information, please speak with my staff point of contact, Mr. John Coho, 604-1630 or e-mail [John.Coho@OSD.mil](mailto:John.Coho@OSD.mil).

John Paul Woodley, Jr.  
Assistant Deputy Under Secretary  
of Defense (Environment)

Attachment:  
Qualified Recycling Program Guidance

cc:  
OUSD(AT&L)/ARA  
Technical Director, Audit Follow-up, OIG  
DUSD(L&MR)



**Guidance on Criteria, Justification, Approvals and Procedures for Conducting Sales; Reconciling Sales; and Financial Records (Supplements DoDI 4715.4, paragraph 6.2.3.3.7.1)**

10 U.S.C. 2577 requires recyclable sales to be conducted in accordance with section 203 of the Federal Property and Administrative Services Act (FPASA) of 1949 (40 U.S.C. 484), which is implemented by the Federal Property Management Regulations (FPMR) (41 CFR 101-45.3). Pertinent sections of the act and regulations current as of the date of this memorandum are provided at Appendix A. Readers should access the Government Printing Office Website (in the case of the FPASA) or the GSA Website (in the case of the FPMR) in order to view the latest versions of these documents. In addition to complying with the statutory and regulatory requirements in Appendix A, the installation QRP manager shall maintain sales, financial and operational records and periodically reconcile them. The QRP manager is responsible for maintaining the following records to support effective program management and audit requirements:

- 1 Sales records of qualified scrap by direct sales and sales through DRMO. Records of DRMO sales shall contain item description, sale price, payment date, and weight of scrap sold. Direct sales records shall contain item description, sale price, sale date, payment date, weight of scrap sold, list of bidders and winning bidder.
2. Expense records for operating and overhead costs. QRP records on operating costs shall include purchase of equipment, maintenance, program operation and expansion, labor costs, training, publicity, and overhead for processing recyclable materials.
3. Records of incomes and expenditures. This data shall be used to calculate the annual QRP profit or loss using the following equation:  $\text{Income} - \text{Expenses} = \text{Profit or Loss}$
4. Records of cost avoidance. Cost avoidance shall be estimated by determining the weight or volume of the material diverted from the waste stream, and calculating the labor, prorated hauling costs, maintenance costs, landfill tipping fee and any other disposal charges that would have been incurred in the absence of waste prevention/recycling.
5. Retain records of profit distributions to MWR, Environmental, health or safety projects.

**Guidance on Appropriate Use of Net Proceeds from the Sale of Recyclables (Supplements DoDI 4715.4, paragraph 6.2.3.3.7)**

The proceeds collected by a QRP must first cover program costs, including equipment purchased with Operations and Maintenance (O&M) funds. Up to 50 percent of the remaining proceeds may be used for pollution abatement, pollution prevention, composting, alternative fueled vehicle infrastructure support and vehicle conversion, energy conservation, or occupational safety and health projects, with first consideration given to projects included in the installation's pollution prevention plans. Any remaining proceeds may be transferred to the non-appropriated Morale, Welfare, and Recreation account or retained in the installation QRP suspense account (F3875) for use in the following year. 10 U.S.C. 2577 limits the amounts that can be held in the QRP account at the end of any fiscal year resulting from the program to \$2 million. Amounts in excess of \$2 million are to be transferred to Miscellaneous Receipts of the Treasury.

**Allocation of funds:** The QRP committee decides how to allocate net proceeds. If the committee cannot reach a decision, then the installation commanding officer (or regional commander) or the appointed representative shall make the final decision. The installation commanding officer (or regional commander) or the appointed representative also has the authority to override the decision of the committee, if he or she so chooses. The Comptroller's Office shall ensure that projects considered for local funding with recycling proceeds are not included in a normal military construction program.

**Sale of surplus material:** All personal property purchased by the Federal government with appropriated funds is considered government property, even when discarded. This surplus property must be disposed of properly. Proceeds resulting from the sale of surplus material purchased with appropriated funds must be distributed in accordance with DoD 7000.14-R, DoD Financial Management Regulation, Volume 11A, Chapter 5, which contains instructions for recyclable sales conducted under 10 U.S.C. 2577 by both Defense Reutilization and Marketing Offices and installation Qualified Recycling Programs.

**Training:** QRP proceeds may be used for courses, conferences, training, and equipment for recycling personnel. In addition, computer equipment and software may be a useful management tool to facilitate the QRP's adherence to the new DoD MOM, Solid Waste Annual Reports (SWARs), and auditing requirements for the QRP. The proceeds from the QRP may be used to purchase or upgrade computer equipment directly supporting the QRP.

**Equipment purchase and construction:** Equipment for the QRP may be procured with QRP proceeds or appropriations normally available for equipment acquisition. Equipment purchased with other than O&M appropriated funds may not be reimbursed from QRP proceeds. QRP proceeds must pay for the construction of holding bins, sorting platforms, or other recycling facility improvements, equipment maintenance and repair costs, and leased equipment.

#### **Guidance on Treatment of Costs Associated with Recycling Programs (Supplements DoDI 4715.4, paragraph 6.2.3.3.7.2)**

**Labor:** There are a number of ways to obtain labor for recycling operations. Potential personnel sources include military, civilian, and contracted manpower; Federal, State, county and military prisoners; physically and mentally challenged workers; and volunteers.

- The cost of the QRP Manager must be paid in full by the QRP.
- The QRP is not required to pay for Active Duty Military labor.
- Non-appropriated fund (NAF) and appropriated fund civilian employees can also work for the QRP but must be paid in full by the QRP.
- The QRP may fund contracts for civilian labor.
- Other labor sources such as prisoners and challenged workers must be paid by the QRP

**Initial Costs.** Start-up costs for QRP programs are budgeted and funded through the normal appropriated fund budgeting process. Start-up costs may be reimbursed to the O&M account from QRP proceeds.

**Solid Waste Management Equipment Costs.** Installation operation and maintenance (O&M) funding shall be used for the following equipment: collection containers for recyclables (e.g., bins, totes, dumpsters), any equipment necessary to collect and transport all solid waste on the base including recyclables, and composting equipment.

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**Recycling Equipment Costs.** QRP proceeds shall be used for QRP equipment maintenance and repair costs, leased equipment costs, and equipment used exclusively by the QRP (e.g., blue bins, balers, and forklifts). Acquisition of new or replacement equipment related only to recycling of solid and other waste, and the construction of holding bins, sorting platforms or other recycling facility improvements must be reimbursed from QRP proceeds.

**Redistributed Equipment.** Recycling equipment may be accepted from DRMO through redistribution. Equipment obtained from DRMO is not reimbursable by the QRP.

**Financial Donations.** Financial donations from organizations, clubs, private groups or individuals must be reported in the installation Disbursing Officer's Trust Fund Receipt Account. Donations must be accepted under applicable gift acceptance authorities -- either section 2601 or 2608 of title 10 -- and in accordance with the FMR or Service regulations implementing section 2601.

**Transportation Costs:** Refuse collection, transportation, and disposal on or off the installation will be funded by installation O&M. As part of that responsibility, the installation is also responsible for collecting segregated and non-segregated recyclable materials from installation and housing areas and transporting them to a central location either on or off the installation. The installation receives O&M funding to collect refuse and scrap, regardless of whether its destination is a landfill or a recycling facility. However, if the cost of transportation to the recycling facility exceeds the cost of solid waste disposal, then QRP proceeds shall reimburse the difference to the O&M account.

**Cost Avoidance:** Cost avoidance is the cost of off-site waste handling, hauling and disposal that would have been incurred by the generating activity or installation in the absence of waste prevention and/or recycling. Cost avoidance shall be estimated by determining the weight or volume of the material diverted from the waste stream, and calculating the labor, prorated hauling costs, maintenance costs, landfill tipping fee and any other disposal charges that would have been incurred in the absence of waste prevention/recycling. QRPs shall not be reimbursed directly for cost avoidance, but cost avoidance shall be incorporated in calculations to determine the cost-effectiveness of QRPs.

**Data Reporting:** Installations shall report data on sales revenues, reimbursable costs, and the additional costs associated with adopting direct sale programs through their chains of command to headquarters staff on an annual basis utilizing a web-based reporting system.

**Periodic Monitoring:** Each Military Service and Defense Agency must meet the requirements set forth in DoD Instruction 4715.4, Pollution Prevention.

QRPs shall conduct internal self-audits annually and have one external audit every three years. Audits will review files related to the Qualified Recycling Program (QRP) with emphasis on financial records and the costs and profits of the recycling sales program, as well as the cost avoidance resulting from recycling/waste prevention. Results of these audits must be briefed to the Installation Commander where QRPs are operated.

Only through strict adherence with this guidance will DoD retain the privilege provided in 10 U.S.C.2577 regarding the retention of sales proceeds. Commanders and QRP managers must operate QRPs in accordance with the law and under the direction of this policy.

### **Guidance on Outsourcing Opportunities (Supplements DoDI 4715.4, paragraph 6.2.3.3.7)**

Whenever a Military Service or Defense Agency considers establishing or modifying a QRP to include direct sales authority, an economic analysis must be conducted. Economic Analysis examines financial costs, benefits (including cost avoidance), and risks of various alternatives. The purpose of an economic analysis is to determine the most cost effective alternative. For example, it may be more cost effective to contract out (outsourcing) or transfer operations rather than fund an installation QRP.

The QRP Business Plan must document objective consideration of QRP outsourcing alternatives. If outsourcing is elected, contractors shall follow Federal and state environmental laws, DoD regulations, Military Service specific regulations (for tenant activities), Executive Orders, and keep adequate records for review by the government QRP Manager and auditors.

For more information on QRP operations go to DENIX at <https://www.denix.osd.mil/>.

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**Appendix A. Statutory and Regulatory Requirements for Criteria, Justification, Approvals and Procedures for Conducting Sales; Reconciling Sales; and Financial Records.**

From the U.S. Code Online via GPO Access at, [wais.access.gpo.gov](http://wais.access.gpo.gov).

Laws in effect as of January 23, 2000

Document affected by Public Law 106-398 Section 1[2814]

CITE: 40USC484

**TITLE 40--PUBLIC BUILDINGS, PROPERTY, AND WORKS  
CHAPTER 10--MANAGEMENT AND DISPOSAL OF GOVERNMENT PROPERTY  
SUBCHAPTER II--PROPERTY MANAGEMENT**

**Sec. 484. Disposal of surplus property**

**(a) Supervision and direction**

Except as otherwise provided in this section, the Administrator shall have supervision and direction over the disposition of surplus property. Such property shall be disposed of to such extent, at such time, in such areas, by such agencies, at such terms and conditions, and in such manner, as may be prescribed in or pursuant to this Act.

**(b) Care and handling**

The care and handling of surplus property, pending its disposition, and the disposal of surplus property, may be performed by the General Services Administration or, when so determined by the Administrator, by the executive agency in possession thereof or by any other executive agency consenting thereto.

**(c) Method of disposition**

Any executive agency designated or authorized by the Administrator to dispose of surplus property may do so by sale, exchange, lease, permit, or transfer, for cash, credit, or other property, with or without warranty, and upon such other terms and conditions as the Administrator deems proper, and it may execute such documents for the transfer of title or other interest in property and take such other action as it deems necessary or proper to dispose of such property under the provisions of this subchapter.

**(d) Validity of deed, bill of sale, lease, etc.**

A deed, bill of sale, lease, or other instrument executed by or on behalf of any executive agency purporting to transfer title or any other interest in surplus property under this subchapter shall be conclusive evidence of compliance with the provisions of this subchapter insofar as concerns title or other interest of any bona fide grantee or transferee for value and without notice of lack of such compliance.

**(e) Bids for disposal; advertising; procedure; disposal by negotiation;  
explanatory statement**

(1) All disposals or contracts for disposal of surplus property (other than by abandonment, destruction, donation, or through contract brokers) made or authorized by the Administrator [of General Services] shall be made after publicly advertising for bids, under regulations prescribed by the Administrator, except as provided in paragraphs (3) and (5) of this subsection.

(2) Whenever public advertising for bids is required under paragraph (1) of this subsection--

(A) the advertisement for bids shall be made at such time previous to the disposal or contract, through such methods, and on such terms and conditions as shall permit that full and free competition which is consistent with the value and nature of the property involved;

(B) all bids shall be publicly disclosed at the time and place stated in the advertisement;

(C) award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the Government, price and other factors considered: Provided, That all bids may be rejected when it is in the public interest to do so.

(3) Disposals and contracts for disposal may be negotiated, under regulations prescribed by the Administrator, without regard to paragraphs (1) and (2) of this subsection but subject to obtaining such competition as is feasible under the circumstances, if--

(A) necessary in the public interest during the period of a national emergency declared by the President or the Congress, with respect to a particular lot or lots of personal property or, for a period not exceeding three months, with respect to a specifically described category or categories of personal property as determined by the Administrator;

(B) the public health, safety, or national security will thereby be promoted by a particular disposal of personal property;

(C) public exigency will not admit of the delay incident to advertising certain personal property;

(D) the personal property involved is of a nature and quantity which, if disposed of under paragraphs (1) and (2) of this subsection, would cause such an impact on an industry or industries as adversely to affect the national economy, and the estimated fair market value of such property and other satisfactory terms of disposal can be obtained by negotiation;

(E) the estimated fair market value of the property involved does not exceed \$15,000;

(F) bid prices after advertising therefore are not reasonable (either as to all or some part of the property) or have not been independently arrived at in open competition;

(G) with respect to real property only, the character or condition of the property or unusual circumstances make it impractical to advertise publicly for competitive bids and the fair market value of the property and other satisfactory terms of disposal can be obtained by negotiation;

(H) the disposal will be to States, Territories, possessions, political subdivisions thereof, or tax-supported agencies therein, and the estimated fair market value of the property and other satisfactory terms of disposal are obtained by negotiation; or

(I) otherwise authorized by this Act or other law.

(5)(A) Negotiated sales of personal property at fixed prices may be made by the Administrator either directly or through the use of disposal contractors without regard to the limitations set forth in paragraphs (1) and (2) of this subsection: Provided, That such sales shall be publicized to the extent consistent with the value and nature of the property involved, that the prices established shall reflect the estimated fair market value thereof, and that such sales shall be limited to those categories of personal property as to which the Administrator determines that such method of disposal will best serve the interests of the Government.

(B) Under regulations and restrictions to be prescribed by the Administrator, property to be sold pursuant to this paragraph may be offered to organizations specified in paragraph (3)(H) of this subsection that have expressed an interest in the property to permit such an organization a prior opportunity to purchase at the prices fixed for such property.

(6)(A) Except as otherwise provided by subparagraph (C) of this paragraph, an explanatory statement shall be prepared of the circumstances of each disposal by negotiation of--

(i) any personal property which has an estimated fair market value in excess of \$15,000;  
(ii) any real property that has an estimated fair market value in excess of \$100,000, except that any real property disposed of by lease or exchange shall only be subject to clauses (iii) through (v) of this subparagraph;

(iii) any real property disposed of by lease for a term of 5 years or less, if the estimated fair annual rent is in excess of \$100,000 for any of such years;

(iv) any real property disposed of by lease for a term of more than 5 years, if the total estimated rent over the term of the lease is in excess of \$100,000; or

(v) any real property or real and related personal property disposed of by exchange, regardless of value, or any property any part of the consideration for which is real property.

(B) Each such statement shall be transmitted to the appropriate committees of the Congress in advance of such disposal, and a copy thereof shall be preserved in the files of the executive agency making such disposal.

(C) No such statement need be transmitted to any such committee with respect to any disposal of personal property made under paragraph (5) at a fixed price, or to property disposals authorized by any other provision of law to be made without advertising.



(D) The annual report of the Administrator under section 492 of this title shall contain or be accompanied by a listing and description of any negotiated disposals of surplus property having an estimated fair market value of more than \$15,000, in the case of real property, or \$5,000, in the case of any other property, other than disposals for which an explanatory statement has been transmitted under this paragraph.

(7) Section 5 of title 41 shall not apply to disposals or contracts for disposal made under this subsection.

# **FEDERAL PROPERTY MANAGEMENT REGULATIONS**

Code of Federal Regulations  
Title 41, Volume 2  
Revised as of July 1, 2001

From the U.S. Government Printing Office via GPO Access

CITE: 41CFR101-45.304-1

## **TITLE 41--PUBLIC CONTRACTS AND PROPERTY MANAGEMENT CHAPTER 101--FEDERAL PROPERTY MANAGEMENT REGULATIONS PART 101-45--SALE, ABANDONMENT, OR DESTRUCTION OF PERSONAL PROPERTY.**

### **Subpart 101-45.3--Sale of Personal Property**

#### **Sec. 101-45.304-1 Competitive bid sales**

Except as provided in Sec. 101-45.304-2, property shall be sold by competitive bid sale after advertising, in accordance with this Sec. 101-45.304-1. Competitive bid sales include the following:

(a) Sealed bid sales. In sealed bid sales, bidders shall be required to submit, to the office designated for receipt and opening of bids, sealed written bids on authorized bid forms for public opening at a time and place designated.

(b) Spot bid sales. In spot bid sales, bidders shall be furnished with bid forms in advance of the bidding, a bid form to be used for each lot or unit to be separately sold. Requests for bids on items offered for sale shall be made by the official in charge. In requesting bids, the official in charge shall announce the item, its identification number, and a brief description of the item or lot. The right to reject all such bids for a lot or item shall be reserved in the terms of sale; and when the Invitation for Bids so specifies, lots or items for which all bids have been rejected may be reoffered at the same sale in order to secure an acceptable bid price. After examining all bids, award shall be made or bids rejected immediately following the offering of the item or lot. The bids at spot bid sales shall not be disclosed prior to the announcement of award for any item or lot. Where mailed written or drop bids are permitted, they shall not be disclosed to the public prior to the announcement of award. Bidders may be required to register in advance of the sale. Any special condition of sale shall be set out in the Invitation for Bids in order to assure that all bidders are afforded an opportunity to compete on the same terms and conditions.

(c) Auction sales. When the terms and conditions of sale have been published and distributed to participating buyers, any special or unusual conditions of sale shall be announced by the person conducting the auction, immediately prior to commencement of the sale. Offerings must reserve in the Government, the right to accept or reject any or all bids. Lots for which all offers have been rejected may be reoffered later at the same sale to secure acceptable bids, when the published terms and conditions so provide.

Code of Federal Regulations  
Title 41, Volume 2  
Revised as of July 1, 2001  
From the U.S. Government Printing Office via GPO Access  
CITE: 41CFR101-45.304-2

**TITLE 41--PUBLIC CONTRACTS AND PROPERTY MANAGEMENT  
CHAPTER 101--FEDERAL PROPERTY MANAGEMENT REGULATIONS  
PART 101-45--SALE, ABANDONMENT, OR DESTRUCTION OF PERSONAL PROPERTY--**

**Subpart 101-45.3--Sale of Personal Property**

**Sec. 101-45.304-2 Negotiated sales and negotiated sales at fixed prices.**

(a) Circumstances permitting negotiated sales. While it is the policy to sell property after publicly advertising for bids, property also may be sold by negotiation, subject to obtaining such competition as is feasible under the circumstances, where:

(1) It is determined by the agency that the sale involves property:

(i) That has an estimated fair market value not in excess of \$15,000;

(ii) Where public exigency will not admit of the delay incident to advertising;

(iii) Where bid prices after advertising therefore are not reasonable (either as to all or some part of the property), or bid prices have not been independently arrived at in open competition, and it is determined that readvertising will serve no useful purpose: Provided, That all responsible bidders who responded to the previous advertising shall be afforded an opportunity to submit offers for the property; or

(iv) That the disposal will be to a State, territory, possession, political subdivision thereof, or tax-supported agency therein, and that the estimated fair market value of the property and other satisfactory terms of disposal are obtained by negotiation. (See Sec. 101-45.304-12.)

(2) Full and adequate justification therefore has been submitted to the head of the selling agency or his designee for prior approval, and he has determined:

(i) That the public health, safety, or national security will thereby be promoted; or

(ii) That it is necessary in the public interest during the period of a national emergency declared by the President or the Congress. The authority of this subdivision shall be used only with respect to a particular lot or lots of personal property identified by the Administrator of General Services or a specifically described category or categories of property determined by the Administrator of General Services during any period fixed by the Administrator of General Services, but not in excess of three months. Declaration of a national emergency alone is not justification for use of this authority; there

must be other reasons making use of negotiation necessary in the public interest.

(3) Full and adequate justification therefore has been submitted to the Administrator of General Services for his prior approval, and he has determined that the property involved is of a nature and quantity which, if disposed of by advertising would cause such an impact on an industry or industries as to adversely affect the national economy: Provided, That the estimated fair market value of such property and other satisfactory terms of disposal can be obtained by negotiation.

(4) Negotiation is otherwise authorized by the Act or other law.

(b) Negotiated sales at fixed prices.

(1) Property may be sold at fixed prices, either directly or through the use of disposal contractors, only with prior approval by the Administrator of General Services (or designee) of the property categories to be sold.

(2) In accordance with Sec. 101-45.304-12, prior to offering property to the public, it may be offered at fixed prices, through State agencies for surplus property, to State and local governments (States, territories, possessions, political subdivisions thereof, or tax-supported agencies therein) which have expressed an interest in the property.

(c) Explanatory statements. Subject to the exceptions stated in Sec. 101-45.304-2(c)(2), the selling agency shall prepare an explanatory statement as required by section 203(e)(6) of the Act of the circumstances of each proposed disposal by negotiation.

(1) Ten copies of each explanatory statement, mechanically reproduced, shall be submitted to the Administrator of General Services for review and transmittal by the Administrator to the appropriate committees of the Senate and House of Representatives and a copy thereof shall be preserved in the files of the selling agency. Such statements shall be submitted as early as practicable in advance of each proposal. Copies of the Administrator's transmittal letters to the committees will be furnished to the selling agency. In the absence of any action by a committee on the proposed negotiated disposal, the selling agency may consummate the sale on or after 35 days from the date of the Administrator's letters transmitting the explanatory statement to the committees.

(2) The explanatory statement need not be:

(i) Transmitted for a disposal of personal property at fixed prices when previously authorized pursuant to Sec. 101-45.304-2(b);

(ii) Transmitted for a disposal of personal property authorized to be made without advertising by any provision of law other than section 203(e) of the Act; or

(iii) Prepared for a disposal of personal property having a fair market value of \$15,000 or less.

(3) An outline for the preparation of the explanatory statement is shown in Sec. 101-45.4806.

[30 FR 2930, Mar 6, 1965 amended FR 5001 Mar 1966

FR 7329 May 6 1969; 42 FR 40853 Aug. 1977; 54 FR 38676 Sept 20,

1989 FR 7609 Apr 26, 1990]"